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**Written Testimony of Noble Environmental Power  
Before the Connecticut Joint Committee on Energy and Technology  
February 28, 2008**

**Testimony in Support of House Bill 5597  
"An Act Concerning Biomass"**

**Presented by  
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Noble is a leading wind energy developer headquartered in Essex, and we are testament to the fact that Connecticut's Renewable Portfolio Standard (RPS) is working.

Noble has more than 1,800 megawatts of clean, renewable wind energy projects under development in New York and New England. A primary motivation for Noble's decision to develop windparks in the Northeast is the presence of robust renewable energy policies in this region.

The RPS is also resulting in significant economic development in Connecticut. Noble's 15,000 square-foot offices are home to more than 65 employees, with a combined payroll in excess of \$6,000,000. Combined with other expenditures, Noble is currently contributing \$15,000,000 annually to Connecticut's economy, and expects to increase this figure by 50% in 2008-2009.

**Summary of the Issue**

In November 2007, **Bill No. 8006 (Public Act 07-5)** made legislative changes to the Connecticut RPS with the intent of assisting a Connecticut-based company that disposes of construction and demolition (C&D) waste.

Noble is concerned that if the scope of these rule changes is not limited, it will have far-reaching negative consequences for the entire RPS market, and by extension, will also negatively affect both renewable energy developers and Connecticut ratepayers.

We believe that **House Bill 5597** effectively and fairly achieves a balance between the underlying intent of the rule changes brought about by Bill No. 8006, and the desire to maintain the integrity of Connecticut's RPS program. We therefore urge the Committee to adopt House Bill 5597.

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## **Bill No. 8006 Creates a Problem, but House Bill 5597 Offers a Solution**

Bill No. 8006 (Public Act 07-5) was passed by the Legislature on September 9<sup>th</sup>, 2007 in a special session without public input:

- Prior to Bill No. 8006, facilities that burn C&D waste were not able to receive "Class I" Renewable Energy Credits (RECs)<sup>1</sup> [they were only able to receive "Class II" RECs].
- Bill No. 8006 changed this, and made it possible for generation facilities that burn C&D waste to receive "Class I" RECs.
- There are several biomass facilities in New England that are capable of burning C&D waste.
- If all of these facilities are able to receive Class I RECs, it will flood the market, causing Class I REC prices to crash.
- Higher Class I REC prices send a signal to the market that Connecticut's RPS is creating demand for clean energy sources, which results in investment in building more clean energy supply.
- If Class I REC prices crash, investment in new generation sources will dry up, undermining the goals of the RPS..

## **House Bill 5597 Preserves the Integrity of Connecticut's RPS by Limiting the Facilities that Can Burn C&D Waste and Receive Class I RECs**

- Under Raised Bill No. 5597, in order to be able to burn C&D waste and receive Class I RECs, the facility must have:
  - (i) been certified as a Class I source by the CT DPUC before 12/31/2007;
  - (ii) a nameplate rating of between 30 and 40 MW; and
  - (iii) burned C&D waste to generate Class I RECs during 2007.
- As a result, only a limited number of facilities qualify, thereby avoiding a situation in which the market could be flooded by an excess of Class I RECs.

House Bill 5597 effectively and fairly achieves a balance between the desire to dispose of Connecticut-generated C&D waste, and the desire to maintain the integrity of Connecticut's RPS program.

Based on prior experience, we believe that the scope of Bill 8006's rule change must be limited to prevent a crash in the value of Connecticut Class I RECs.

Noble therefore urges the Energy and Technology Committee to support House Bill 5597, so that the incentives created by the RPS are maintained and the renewable energy industry in Connecticut and throughout the region can continue to grow and thrive.

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<sup>1</sup> A Renewable Energy Credit (REC) is a tradable commodity that represents the environmental and other benefits associated with a megawatt-hour of electricity from a renewable energy source. RECs can be sold separately from the associated electricity. By creating value for the environmental benefits associated with renewable energy production, RECs provide an additional source of income for renewable generators, and this in turn creates incentives to invest in the development of new renewable generation sources.

## Appendix: Connecticut's RPS -- Background and Timeline

Connecticut's RPS went into effect in its present form in 2004, and the market for Renewable Energy Credits (RECs) responded accordingly with initial trades of Connecticut "Class I" RECs in the **\$40-\$50 range**.

These robust prices indicate that Connecticut's RPS is well-designed:

- The overarching goal of an RPS program is to create **market-based incentives** to **stimulate investment** in the generation of energy from clean, renewable sources.
- Strong REC prices send a signal to the investment community that there is demand for renewable energy, and **capital is invested to meet this demand**.
- Like any market, prices in the REC markets are set by **supply and demand**.
- Thus, in order for the RPS program to achieve the desired results, it must achieve a **good balance between supply and demand**.
- If supply greatly exceeds demand, prices will be too low, and won't stimulate investment.
- If demand greatly exceeds supply, prices will be too high and the program may be unsustainable.

**In 2004** and again in **2005**, rule changes were made by Connecticut DPUC to allow biomass facilities burning C&D waste to receive Class I RECs. As a result of these rule changes, **in 2005 the supply of Class I RECs increased dramatically, causing the price to crash to below \$5** (see attached chart).

**In early 2006**, following a lengthy public hearing process, the Connecticut Legislature passed **Public Act 06-74**, which disallowed C&D waste as a Class I fuel source except for three limited cases.

To avoid undue harm or disadvantage to companies that had already made substantial investments or entered into contracts to sell their Class I RECs based on the 2005 rule change, three facilities were granted the right to continue selling Class I RECs produced from C&D waste until **July 1, 2007**

**By late 2006**, CT Class I REC prices began to rebound to the \$50 level.

**In early 2007**, several attempts were made to introduce legislative language that would reauthorize C&D waste as a Class I fuel source, but all of these attempts were not successful.

**In November 2007, Bill No. 8006 (Public Act 07-5)** was enacted. Bill No. 8006 once again makes it possible for facilities burning C&D waste to receive Connecticut Class I RECs.

We believe that unless the scope of the rule change brought about by Bill No. 8006 is limited, it will result in a glut of Connecticut Class I RECs from facilities burning C&D waste, similar to what happened when Public Law 06-74 was enacted.

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CT Class I REC spot price  
05-Jan-04...18-Dec-07

